UTAH CHARTER SCHOOL FINANCE AUTHORITY CREDIT ENHANCEMENT PROGRAM

UTAH CHARTER ACADEMIES

BOND DOCUMENT REQUIREMENTS FOR DISCUSSION

In December, 2010, the Utah Charter School Finance Authority (the "Issuer") issued its Charter School Revenue Bonds (Utah Charter Academies Project) Series 2010 (Taxable Qualified School Construction Bonds) (the "Series 2010 Bonds") for the purpose of facilitating the financing of the acquisition and construction of charter school facilities to be operated by Utah Charter Academies (the "Charter School") and to be located in West Valley City (the "Accelerated Campus"). The Series 2010 Bonds were issued pursuant to a Trust Indenture dated as of December 1, 2010 (the "Indenture") between the Issuer and Zions First National Bank, as trustee (the "Trustee"). The Charter School has requested that the Issuer issue additional bonds under the Indenture (the "Series 2015 Bonds" and together with the Series 2010 Bonds, the "Bonds") for the purpose of financing or refinancing the acquisition, construction and/or equipping of (i) additional charter school facilities located adjacent to the Accelerated Campus (the "Accelerated 2 Campus"), (ii) charter school facilities located at 12892 S. Pony Express Road in Draper, Utah (the "Draper 1 Campus"), (iii) charter school facilities located at 11938 S. Lone Peak Parkway, Draper, Utah (the "Draper 2 Campus") and (iv) an expansion to the Accelerated 2 Campus (the "Accelerated Addition"). The Charter School is requesting that the Series 2015 Bonds be issued under the Issuer's Credit Enhancement Program and that the Series 2010 Bonds remain unenhanced.

The Issuer has asked us to review the Indenture and the related loan agreement (the "Loan Agreement" and together with the Indenture, the "Bond Documents") against the Utah Charter School Credit Enhancement Program Standards for Participation (the "Standards") and to summarize what changes would be required, if any, in the Bond Documents or what deviations, if any, would need to be allowed under the Standards in order for the Series 2015 Bonds to be credit enhanced while keeping the Series 2010 Bonds unenhanced. Below is a chart for discussion purposes which shows certain requirements under the Standards (in the left hand column) and suggested changes to the Bond Documents or allowances under the Standards that would be necessary to bring the Bond Documents into compliance with the Standards (in the right hand column).

APPLICABLE REQUIREMENT UNDER STANDARDS	POSSIBLE CHANGES TO BOND DOCUMENTS OR ALLOWANCES UNDER THE STANDARDS
1. Debt is Full Faith and Credit Obligation of Borrower:	Debt is recourse to the Charter School only to the extent of the campuses financed by the Bonds and the related state payments. Discuss whether the Issuer should require the lender on the Charter School's School for New Americans campus (NCB) to enter into an intercreditor agreement to specify the rights of the multiple lenders in the event of a default.
2. Bond Purchasers Have First Lien Mortgage:	The Trustee will have a first priority lien on the fee interest in the Draper 1 and 2 Campuses and a first

	priority lien on the leasehold interest and a second priority lien on the fee interest in the Accelerated 2 Campus. The second priority lien on the fee interest in the Accelerated 2 Campus will be subject to forbearance until the new market tax credit structure terminates. Under the terms of the new market tax credit structure, the Issuer may not initially have a first priority fee interest in the Accelerated 2 Campus. Discuss the acceptability of this lien structure.
3. Fully-Funded Debt Service Reserve Fund and Notice of Shortfall:	The Indenture will provide that either (i) the debt service reserve fund is only pledged for the Series 2015 Bonds and that moneys therein can only be used to make payments on the Series 2015 Bonds, or (ii) there will be separate debt service reserve funds for the Series 2010 Bonds and the Series 2015 Bonds and that moneys therein can only be used to make payments on the bonds to which such debt service reserve funds are pledged. In any event, Goldman Sachs, holder of all Series 2010 Bonds will not have any right or interest in moneys in the debt service reserve fund for the Series 2015 Bonds. This change and others modify the security of Goldman Sachs in the Indenture and per the Indenture will require Goldman Sachs' consent on the supplemental indenture as well as a no-adverse effect opinion from bond counsel.
4. Debt Service Payments April 15 and October 15:	Series 2010 Bonds are payable on 3/15, 6/15, 9/15 and 12/15—Series 2015 Bonds are payable 4/15 and 10/15 to ensure timely appropriations if any; because of timing mismatch of payments, the Issuer may desire to segregate the Bond Fund for payments on the Series 2010 and Series 2015 Bonds so that the Bond Fund in connection with the Series 2010 Bonds is not allowed to secure the Series 2015 Bonds and vice versa.
5. Borrower Covenant to Maintain a Minimum Debt Coverage Ratio:	Under the Standards, Debt Coverage Ratio is calculated as (revenues – expenditures + interest cost + depreciation). As such, the Debt Coverage Ratio should pick up all the charter school's revenues and expenses – including its expenses in connection with the Series 2010 Bonds and the revenues from the Charter School's School for New Americans campus.
6. Additional Bonds Coverage Ratio Test:	Same issue as in #5 above.
7. Consent of Issuer to Amend Indenture, Debt Service Reserve Requirements, Maturity Schedule, Acceleration	To comply with the Standards, the Bond Documents need to be amended to add a provision specifying that any Series of Bonds won't be accelerated without

	Issuer consent assuming that the State is current on its moral obligation appropriations. Goldman Sachs' consent, as owner of the Series 2010 Bonds would be necessary for this change.
8. Level Annual Debt Service Payments:	This should only be applicable to credit enhanced bonds (Series 2015 Bonds)
9. Issuer Right to Direct Remedies for All Bondholders in the Event of a Draw on Moral Obligation:	As the Issuer desires that its right to direct remedies apply to all Bonds, and in order to comply with the Standards, the Bond Documents need to be amended to add a provision specifying that Issuer has the right to direct remedies in the event there is an appropriation under the Credit Enhancement Program. Goldman Sachs' consent, as owner of the Series 2010 Bonds would be necessary for this change.